Business Networks and Entry Modes

The Case of Entry in Poland

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Abstract—This Masters Final Assignment has the following purposes: (1) to review the assumptions of business network theory and entry modes, (2) to examine how these concepts can interfere in an industrial inter-firm relationship, and (3) to illustrate such insights with a case documented during an internship in KG International. This study attempts to explain why some firms, even after a failure in the process to enter a foreign country, do not give up or replace that target country with another.

Keywords– Business Networks, Entry Modes, Case Study, Portugal, Poland.

I. INTRODUCTION

It is not usual for firms that fail in the process of entering a foreign country, to keep trying. This study attempts to explain why firms do it and how they can be more efficient in this process. For that purpose, this study focuses on answering the research question: How Business Network may have an impact on the entry modes?

Firms are established in networks of ongoing business and nonbusiness relationships, which may give advantage or disadvantage to the firm *(Ritter, Wilkinson, Johnston, 2004)*. To firms one of their most valuable resources are their relationships (*Hakansson, 1987*). For this reason, that all the firms invest so much in their relationships, but to have a well-established relationship it takes time. According to Hallén *(1986*), the average time to have a well-established relationship is 13 years, while in the case it's possible to verify that it was established relationships in less than two years.

One of the most researched field in international management is entry modes (*Werner, 2002*). This is due because of the globalization of the markets. Firms want to entry into foreign markets, and want to do this process the most efficient way possible. For this reason, they have to research about the markets before, establish a plan with a strategy. Entry in a new markets may combine different risks that must be evaluated in advance when making the decision *(Polesello, Amal, Hoeltgebaum, 2013:182*). Planning to enter in a new market also takes time, according to Root *(1987*), between three to five years. In the case we also will be able to verify that with the help of a specialized firm it is possible to plan in less time. Entry modes were defined by Sharma and Erramilli (*2004, p.2*) as "a structural agreement that allows a firm to implement is product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)".

The present assignment is based on a case documented during an internship at KG International. During the internship, I was able to work with one of their clients that tried to enter in Poland for 10 years, and was not successful. However, after they started working with KG International, in little more than a year they were able to enter into that foreign country and start building a business network.

This assignment is divided into six sections including the introduction. The second section reviews the literature about the two main concepts: business network and entry mode. The third section discusses the research method. The fourth section presents the case. The fifth section discusses the case. And the sixth and last section, argues the limitations and implications of this assignment.

II. LITERATURE REVIEW

A. Business Network

''A business enterprise looks more like a linking unit where its strategic attributes lie in how it connects other market participants to each other. Thus, the picture of both the possibilities and the means to manage the business enterprise become quite different'' *(Hakansson & Snehota, 1995)*. Therefore, firms should not be seen as isolated, but connected to a business network.

Business networks consist in webs that are connected by relationships (*Johanson & Vahlne, 2009*). Business relationship can be considered as a process where more than one firm or other types of organizations "form strong and extensive social, economic, service and technical ties over time, with the intent of lowering total costs and/or increasing value, thereby achieving mutual benefit" *(Anderson & Narus, 1991, p. 96)*. In 1992, Hakånsson and Henders, defined, after a study, that the average number of important business relationship that a firm has, is 10.

Types of Business Relationships

The potential relationships can be from different types, and may be conceptualized as value net *(Brandenburger &*

Nalebuff, 1997). From the model of Brandenburgers and Nalebuff (1997), we are able to identify four types of value net that affect a firm's capacity to produce and deliver value to an intermediate or final customer:

- Suppliers: a relationship with a strategic supplier, that has valuable products and/or services, is an important and durable source of competitive value and something hard to imitate *(Dyer & Singh, 1998)*;
- Customers: the development of a good working relationship with customers, means that the firms understand the importance of meeting the needs of their customers, and thereby develop or co-develop new products and/or services;
- Competitors: firms that collaborate with competitors may develop products and/ or services, and technology standards. If the competitor is from another country allows for the entry and development of a new international market *(Welch, Welch, Wilkinson, & Young, 1996)*;
- Complementors: this kind of relationships may add value in their output. Additionally these relationships can include relationships with government agencies, this is important in the process of entering new international markets, and they are kept informed about legislative developments.

Using this model, other authors added the intrafirm relations. These type of relations are important because the organization that interacts with the firm, interacts through internal interpersonal networks and cross-functional relations, and because it is a strategic issue that interfaces the intra- and interfirm relationships *(Kanter, 1994; Webster, 1992).*

Managing or Being Managed in Networks

There has been a long debate between authors, about whether the firms are in control of themselves and their surroundings *(Jarillo, 1988)*, or if the firms cannot have full control of their resources as other actors have an impact or restrict action to the firms activities. *(Ford, 1997; Hakansson & Ford, 2001; Wilkinson & Young, 1994, 2002)*. This debate raises the important issue of whether firms can or should "manage" their networks.

The definition of "to manage" has two meanings. It can mean to lead, to determine, to organize, or that one can cope with a given situation *(Ritter et al., 2004).*

In 2003, Moller and Svahn concluded that the difference between managing or being managed is that the former is an intentional network, a deliberate activity, whereas the latter is an unintentional networking and an emergent activity. "We argue that both these points of view are relevant and that firms confront different types of relationships and network management situations, including those when they are in a powerful and controlling position, and those when they are the subject of others control, and those in which multiple parties have a strong influence over each other" *(Ritter et al., 2004, p.177)*. This means that firms act in different ways, depending on the type of network they are part of. The different actions are: (1) Followship relationship: a firm is highly dependent on another one, but not the other way around; (2) Mutual dependence: no firm is patently more powerful; (3) Positive dependence: happens when the actions of the firms allow the achievement of an objective; and (4) Negative dependence: happens when the action of a firm prevents the achievement of the other firms' goal. In conclusion, the management of a network is about managing the interfaces with others, as opposed to managing others.

Limitations and Opportunities

There are opportunities and limitations in networks. These are related to the firms resources invested in relationships and their internal capabilities. The firms' relationships and resources may develop and combined with others in numerous ways create opportunities of innovation for the firms. But, a change in a network may involve a change in both firms *(Dubois, 1998)*. Then for a single firm, the change may have severe limitations, due to the cost of changing.

Application of the Network Model to Analyse Internationalization

Johanson and Mattsson realized that the firms want to internationalize, to achieve long-run economic objectives. The firms' network may help this process. However, every country has their own characteristics and structure. So, it is possible to analyse four different situations, depending in the degree of the foreign country internationalization.

The first situation is the Early Starter, where the firm does not have a lot of knowledge about foreign country and cannot use its domestic network to gain that knowledge. The resources of the firm are important in this situation because it will need them to acquire the knowledge about the foreign country. The most common strategy is founded in empirical studies, to select a similar country and use an agent instead of subsidiaries. With this strategy the firm is able to minimize the need to develop knowledge, adjustments, and the possibility of using the position of a firm well established in the country. An alternative strategy, for large and resourceful firms in the home country, is to enter a foreign country with an acquisition or greenfield investment.

The second situation is the Lonely International. Here the firms already have relations within foreign countries. Therefore, the knowledge situation is better. There is no need to invest in the acquisition of knowledge as in the previous situation. The resources of the firm are not as important. Here, the firm does not need to internationalize in similar countries as in the previous situation. The initiative of internationalizing does not come from the needs of the production net, because the suppliers, customers and competitors are not internationalized. The firm is actually able to promote the internationalization of the production net. In this situation, international integration is considered an important characteristic in the development of a highly internationalized firm. The firms that internationalize before their competitors have advantages, especially in tightly structured nets, as they are able to develop their networks before their competitors'.

The third situation is the Late Starter. Here the firm is not international, and does not have to go to a similar country, making instead a large step abroad. In this situation, the size of the firm can be important. A large firm normally is less specialized than a small company, which makes it harder for a large firm to find a niche in a highly international net, because it cannot adjust and react as a small firm can. So, a solution for the large firms is to enter the foreign country through acquisition or joint ventures. "In a highly internationalized world the firms are probably more specialised." *(Johanson & Mattsson, 1988, p.479)*

The fourth and last situation is the International Among Others where both the firm and the foreign country are extremely internationalized. When the firm is entering the foreign country, it has the possibility to use the positions in one net for connecting to others. Some type of international integration is required, in the hierarchical and decentralized sense *(Galbraith, 1973).* Here, the knowledge about the other country is higher, and therefore there is a need to co-ordinate activities in the different countries. A larger firm also has the advantage of affecting the development of, and dominating and influencing the international diffusion process. Firms that are in this situation only have competitors that are also actively international, and have counterparts in countries with tight structures.

B. *Entry Modes*

The tendency for firms to go abroad is increasing. This is mainly due to the stagnant home market and the search for larger sales volume. According to Root (1987), for a firm to enter a foreign country, its manager should establish a plan, where it is possible to find an entry strategy for each product in each market. This strategy should establish the target product and respective market, the objectives and goals for the target market, the type of entry mode chosen *(Cateora, 2002; Graham, 2011)*, and the control system to monitor performance. Also, according to Brouthers (*2002*) before the managers choose the entry mode, this should research the types of entry modes, due to the effect this may have in the firms' performance.

Root defined entry mode as "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country" (*Root, 1987, p.5*).

Types of Entry Modes

When the firms decide to internationalize, they have to consider different types of entry modes, which may have an impact in the level of control, commitment, risk and involvement (*Albaum & Duerr, 2008*). According to Root *(1987*), there are two ways for firms to enter a foreign market. The firm can export, or it can transfer resources to the target market. These two forms of entry can be divided into several different entry modes.

The first are Export Entry Modes. The firm, in this situation, manufactures outside the target country and transfers into it. If the firm uses middlemen in the home country, and who would do the exporting, then we are moving toward a situation of indirect exporting. On the other hand the direct exporting happens when firms do not use middlemen from its home country, but may have a middleman from the target country. The direct exporting may be divided into two situations, (1) direct agent/distributor exporting: the middlemen is the one responsible to market the product in the target country, and (2) direct branch/subsidiary: the firm has to manage the products in the target country.

When a firm has a long-term non-equity association with an entity from the target country, to which the firm transfers its technology and human skills, we are moving towards a Contractual Entry Mode. The best known strategies of this situation are, (1) licensing: where the firm allows a foreign entity during a given period of time, the possibility of using their industrial property, in return for a royalty or other compensation; and (2) franchising: an entity in the target country (franchisee), to whom is given the right to use the home country firm's (franchisor) name, trademark, and technology; the franchisor, depending on the agreement made with the franchisee, has to assist the franchisee in organization, marketing, and general management.

The last one is the Investment Entry Mode. In this situation, an international firm establishes, in the target country, a manufacturing plant or another type of production unit. The techniques most used in this situation are, (1) sole ventures: the main firm has full ownership and control, and (2) joint ventures: the main firm and the partner from the target market share the ownership and control. In both situations, this may be started by a new establishment, or by acquisition.

Factors that Influence the Choice of the Entry Mode

There are two factors that may influence the firms' entry mode choice, according to Root (*1987*). External factors occur when the management decisions are influenced by the market, production, and environmental factors from both home and the target country. The firm is unable to modify or change these factors. The internal factors can be changed or modified by the firm, because it controls the product or resources.

The external factors are only able to encourage or discourage a particular entry mode, but they are not a decisive influence on the entry modes. In sum, there are four factors that may influence entry modes:

- Target Country Market Factors.

The entry mode choice is influenced by the size of the target market. If the market is small, then the entry mode may be one with a low breakeven sales volume. But, if the market is bigger, a higher breakeven is expected from sales volume.

The competitive structure of the target market has an effect on the entry modes. The range of market structures can go from monopolistic, to oligopolistic, and to atomistic. The last market is usually the most favourable to export, compared to the other types of markets.

The availability and the quality of the marketing infrastructure in the target market may also influence the choice of entry mode.

- Target Country Production Factors.

The cost and quality of production, like the cost of the raw materials, labour, energy, transportation, communication, and so on, may influence the choice of the entry mode.

- Target Country Environmental Factors.

Some characteristics of the target country may influence the choice of entry modes: (1) Government Policies and Regulations: some countries establish import policies, which discourage imports. (2) Geographical Distance: the cost of transport can make it impossible for the product be competitive in the target country. (3) Size of the Economy: Before entering the target country the firm must determine and verify the size of the market. (4) Dynamics: the firm should also take into consideration the evolution of the target country economy. (5) Country Economy: if it is market economy the firm will choose a different type of entry mode, than if it were a centrally planned socialist economy. (6) Country External Economic Relations: the exchange controls, like the value of exports and imports, the balance of payments, the exchange rate behaviour, the debt service burden, and so on; may discourage the equity entry mode. (7) Cultural Distance: due to the language, the culture, the social structure of the target country, a firm may choose another country more similar to the home country. (8) Political Risk: if a firm is in a country with political instability or the threat of expropriation it will choose an entry mode that limits the commitment to resources.

- Home Country Factors.

The entry mode choice may also be influenced by the home market, as well as the size, structure and type of firm.

Internal Factors are influenced by two factors:

- Product Factors.

The firms' product may influence the choice of entry modes.

If the firm has a highly differentiated product with more advantages than the competitors' product, the firm will have the advantage that the product may withstand high costs of transportation, and still be competitive in the target country.

Some firms have products that need a pre and/or post-purchase service, making it more difficult for the firm to sell the product from distance.

If a firm just offers a service, then it must find the way to execute the service in the target country, for example training local companies to perform the service, or selling the service to a firm in the target country, or founding a subsidiary.

A firm can just license the product in the target country and does not need to use another entry mode, if the product is highly technological.

Firms that have products that require adaptation to the country, have a closer approach to the foreign country.

- Resource/ Commitment Factors.

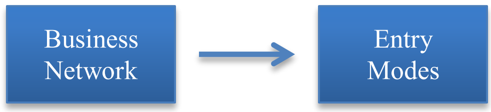
The firm that has more resources has more entry mode options. The managers' attitudes, the role accorded to foreign countries in the firms' strategy, and status of the international organization, reveal the commitment of the firm to internationalization.

C. *Discussion of Literature*

Business networks and entry modes have a close relationship both playing an important role in the development of a firm in the medium/long term. In particular, the average time to have well-established relationship is 13 years (Hallén, 1986), and it takes 3 to 5 years to plan an entry strategy (Root, 1987).

For a firm making the decision to go abroad is an important step (Andersson & Helander, 2009). Which means, that depending on the firms' characteristics, they will choose a country and a type of entry mode. An important characteristic of a firm would be the nature of their business network. In turn, the business network relies on the dimension of the firm, the home and target country, and on its resources and knowledge. So, as explained in the section about business networks, this characteristic may influence the type of entry mode chosen by the firm.

It often happens that a firm chooses a target country without a plan or rational process (*Ellis, 2000*). This happens because most of the firms choose the target country based on the strength of their business network.



III. METHODOLOGY

To discuss the methodology of this assignment it is important to distinguish two different types of methodologies: action research and case study.

Action research is often confused with a library project, where the main objective of the project is to determine the problem or why we do certain things, instead of searching for knowledge to improve it. So, action research is "the process in which participants examine their own educational practice systematically and carefully, using the techniques of research" (*Watts, 1985, p. 118*).

McNiff, in 2002, provided a common-sense review of action research, we should:

- Review the current practices;
- Identify the aspect to improve;
- Visualize forward;
- Experience;
- Verify the results;
- Modify the experience according with the results, and continue it;
- Detail all the steps;
- Evaluate the modifications;
- Then we can continue this process until we are satisfied with the results.

According to Yin, the definition of case study is "An empirical inquiry about a contemporary phenomenon (e.g., a "case"), set within its real-world context—especially when the boundaries between phenomenon and context are not clearly evident" (*2009, p. 18*). There are at least three types of situations where is relevant to apply the case study method: (1) the type of research questions are descriptive or explanatory (*Shavelson & Towne, 2002*), (2) it is possible to highlight a real-world phenomenon, and compare it with reliable data (*Bromley, 1986*), and (3) it is necessary to conduct evaluations.

When designing a case study, we should take into consideration three steps according to Yin (2012). First is defining a case. The choice of the case is important in this type of methodology, because the case should be distinctive, covering an extreme, unique, or revelatory subject or event. Another aspect that must be included in the case study is a research. Therefore, it is possible to have a case about a common subject, and still have a good case study, with a persuasive theoretical background, contributing for the research of literature.

The second step is to select one of the four types of case study designs. The first two types to choose from are single or multiple case studies. The difference between these types of case studies is the number of firms studied in the case. So, if the case study is limited to one firm, then it is a single case study. When a case study has more than one firm, it is a multiple case study. The multiple case study is normally more challenging than the single case study, but guarantees more conviction and accuracy. The next two types are oriented to analyze only parts or segments of the case. It is possible to choose between holistic (single unit of analyses) or embedded (multiple unit of analyses).

Finally, the third step we have to make is the decision of whether using or not the theory in the case study, like developing the research question or refining the case study design to help complete the methodology.

According to Yin (2012) the data for a case study may come from various sources. The six most common sources are direct observation, interviews, archival records, documents, participant observation, and physical artefacts. If the case study has multiple sources that support the case, this fact may increase the quality of the methodology.

This assignment adopts a multiple holistic case study design. In particular, I present a case that I documented during an internship. This case analysis is based on the behavior of a two particular firm.

It is important to mention that due to the size of the company, the information was sketchy, limiting the insights. For this reason, it wasn't possible to execute an exhaustive study.

The internship lasted 6 months, where I was able to execute a wide range of tasks, like analyzing cases, developing new strategies, or meeting with clients. Some of the activities I performed during the internship were not related to the theme of this assignment, which may influence the quality of this case study. This case study was based on documentation research and three interviews (in attachment) with the clients and the CEO of KG International.

So the decision to make this study more theoretical became self-evident. Even though, this is a theoretical study, it is based on the internship. So, with this assignment I am presenting a relevant work at scientific and practical level.

IV. THE CASE OF ENTRY IN POLAND

KG International is a company that offers international consulting services for entry in Poland. In 2005, the firm started its activity in Poland, developing sales channels in multiple sectors and in multiple markets. Then after a few years, they decided to expand their activity and start the international consulting in other countries. After studying the Taiwanese, Chinese and Portuguese markets, they decided to start the new activity in Portugal. So in 2013, KG International started its activity in Portugal, as an international consulting firm. Since then, they have successfully integrated some Portuguese firms into the Polish market. They are the Portuguese representatives of the biggest trade exhibition in Poland. With the intention to expand their activity; the firm is developing new contacts in new markets, so they can offer a wider range of markets to their clients.

KG International divides the projects by phases. In the first phase, they analyse the product, company and market, which enable the consulting company to create a strategy to enter the market. Then it coordinates fact finding visits, aiming for the best potential with Polish business partners, scheduling meetings, where a KG International consultant is present, to whom may be given permission to negotiate on the clients behalf (due to language constraints). When the client is already present in the market, KG International keeps doing long-term management of the sales channel, with the potential of developing new projects.

The Polish Market was under a communist government until 1989. Since then, the market keeps growing. Contrary to most of the countries in the world that were affected in 2008's crash, the Polish market started a growth cycle. Poland remains in a growth cycle with a forecast GDP of 3,5%, for 2015. Poland is one of the countries that will continue to receive community funds from the European program 2020, and is the country that will receive the largest amount. These funds will be used mainly to develop infrastructure and support the small and medium firms. It is expected that these funds will also increase the populations' purchasing power. Poland is located in the centre of Europe, with a population of 38,5 million habitants.

During my internship, I learnt about the internationalization process of one client of KG International. Due to client confidentiality I will name the client, as Client X. Client X is a small and medium-sized enterprise (SME). The company was interested in Poland mainly because of its potential.

Between 2003 and 2013, the firm made several trips to the target country, with the intention of exploring the market. These trips consisted on visiting trade exhibitions and trade missions. With these visits, Client X wanted and found a distributor in the market. Unfortunately, the relationship between the firms of both countries was not lucrative. In 2012, Client X started a partnership with another Portuguese SME, which has a complementary product. The firm with the complementary product is also a client of KG International, and due to client confidentiality, this client will be named Client Y. Both firms visited the target country a number of times visiting trade exhibitions and on a prospection visit they were introduced to KG International CEO, in May 2013. During these ten years, the Client X spent more than 75.000€ without any sales in the Polish Market.

Then in June 2013, Client X and Client Y hired KG International. Between 2013 and 2015, both clients and a consultant from KG International, went on ten prospection visits to Poland, spending around 30.000€. During these trips, Client X and Y with the help of KG International consultants found a distributor in the Polish market. Because the products were so well received in the market, there is a salesman, from the Polish company, that is fully responsible for the sales of the products. Making during this time around 500.000€ in sales revenue, in the Polish market.

The Clients are starting to develop a new project in the Polish market, with the intention of expanding their position in the market. Nowadays, both Clients are interested in entering new markets with KG International.

V. DISCUSSION

Portugal was under a repressive government, until 1974. In 1986, Portugal entered the European Union. During the 90s, the Portuguese economy growth was bigger than the European Union average. During these years successive Portuguese governments privatized many stated-controlled firms, opening many key areas of the market. Although the Portuguese market got more specialized in service-based economy between 2001-08, the growth of the economy was slower. Then after the 2008 crisis, the economy crashed. The government contracted a rescue package, and implemented austerity policies, between 2011-14. Which caused high levels of unemployment and one of the biggest waves of emigration in the history of Portugal. The provision for the GDP value in 2015 was 1,6%. The Portuguese market is small; consequently the demand is also small. In 1991, Potter highlighted domestic importance of the home demand, calling it "diamond framework". There are four things that may influence the success of a firm, in the framework: demand, firm strategy, factor condition, and related and supporting industries. The author attaches importance to firms' ability to have a large number of buyers in the home market. This is the reason that firms with small demand in home markets internationalize to overcoming this adversity.

KG International clients chose the Polish market, because of its potential. Because Poland was, until 1989, part of the Soviet Union, the market was quite "closed". When the Berlin Wall fell, the country changed their policies, bringing the communist era to an end, and founding a new strong and sustainable economy. Poland entered in the European Union in 2004. With funds received from the EU. Poland is investing in energy, defense, and infrastructure. This economy may be classified as an emergent market, and there are two main reasons why firms should invest in this type of market. The first is the demand *(Buckley and Hashai, 2014)*. The second is the population. In emergent markets, it is possible to find a "high potential of large and/or economically undeveloped population" *(Arnold, 2003, p.3)*. This last reason, may appeal to firms, not only from the point of view of the number of consumers increasing, but also there are fewer or even no competitors, giving the company the edge of being first to arrive in the market.

The case previously explained is about an SME that never gave up the Polish Market. The SME has characteristics that may influence the choices of entry mode for a SME, unlike a multinational firm. The characteristics are the limited resources *(Brouthers & Nakos, 2002, 2004)*, risks that they may find or have in the target market *(Cheng & Yu, 2008; Erramilli & D'Souza, 1995)*, and the ownership structure and management characteristics *(Cheng, 2008; Pinho, 2007)*. Based on the characteristics enunciated before, an SME should base their decision to enter into a new market on a strategic entry plan, and not in intuitions *(Ellis, 2000)*, or without any kind of previous research *(McNaughton, 2001)*. Client X, before taking the decision to enter in the target market, did research, with which he was able to convince Client Y to also enter into a Joint Venture. One of the problems of this process was the lack of experience in this kind of process.

The entry modes are mainly seen from the internalization perspective (*Buckley and Casson, 1976; Rugman, 1980*). A theory closely connected is the Transaction Cost (TC) (*Williamson, 1975*). The analysis of characteristics of a transaction to decide which are the most efficient is made from the internalization and TC perspective, since both are concerned with the underlying conditions of a market failure and the minimization of the TC. The TC perspective only takes into consideration the transactional context, limiting itself, and ignoring the existence of capability requisite for managing an internalized transaction (*Conner, 1991; Demsetz, 1988; Teece, 1985; Teece et al., 1990*). While the firms chose the market, they had to have in consideration the TC. These cost may make product not competitive in the target market.

Since early 90s', we are aware that firms compete mainly through capabilities (*Prahalad and Hamel, 1990; Cantwell, 1991*), and that firms collaborate with the objective of developing their capabilities (*Kogut, 1988; Hamel, 1991; Mody, 1993*). Being this one of the reason for both Clients creating the partnership. From this perspective, was defined Organizational Capability (OC). The OC is a source of competitive advantages and also constraints, due to the historical dimension of the firms' activity. Here the firms have to choose an entry mode compatible between them, to be successful in a target market (*Johanson and Vahlne, 1977*). Hiring a specialized firm in internationalization may help in this situation.

"Markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns" (*Johanson &Vahlne, 2009, p.1411*). Therefore, it is possible to find two types of situations, insidership or liability of outsidership. When a firm, even before entering the target market, has already developed the network, it is an insider (*Coviello, 2006*). These firms have planned entry mode strategy, being in a situation of insidership. On the other hand, there are also outsiders in the country. An outsider is a firm that is not meaningful in a network. Consequently, a liability of outsidership affects a firm that tries to enter in a country, where it does not have a relevant position in the network. Client X suffered from liability of outsidership when it tried to enter the Polish market without KG International. In particular, Client X, before they started to work with KG International, was able to find a distributor that lacked relevance in the network. On the other hand, KG International is in situation of insidership, placing the Clients in this situation, this being one of the main reasons of the project's success. The KG consultant stated that another reason for the project's success was the availability of clients during the process.

In the case I have shown how a situation of an unsuccessful sequence of attempts to enter a foreign country can be followed by a successful reattempt. According to Andersan and Helander (*2009*), the only other paper that I found with a similar case, is about the process of Ikea entering into the Japanese market. Ikea, tried to enter the Japanese market for the first time in 1974, through a joint venture with a local firm. In 1986, after twelve years in the market without any results Ikea decided to leave the market, and in 2001, the firm re-entered the market with an adapted strategy, in order to give a better response to the customer's needs.

In sum, it may happen that firms are not successful entering a certain country, which does not mean that the market does not have the demand for the firms' product. When this happens, it can be due to a weak entry mode plan and a fragile business network. Client X did not give up entering Poland because of the market potential.

VI. Conclusion

Since the beginning of my internship at KG International, it was clear for me that this study should be about business network and entry modes, due to the firms' activity.

Nowadays, one of the main concerns in a firm strategy is the strategic network. For this reason, that firms verify the opportunities and restriction that a relationship with another firm may bring. Even though relationships are complex and long-term, it may add value to a company, adding resources, knowledge, other markets, and so on.

The firms, currently, can't count with a save home market, due to the market globalization. It is why, most of the firms, even the SME, plan in their corporate strategy, a sustainable and strong strategy to compete globally. The firms then start the internationalization process, choosing the target market, the type of entry mode, and so on. The entry modes allow firms to choose the best strategy to enter in the target market, so companies may introduce their products, technology, and other resource more efficiently in the foreign market.

Business network plays an important role in the internationalization process. Firms, in attempt to facilitate the process of entering into a foreign market, choose the target market in function of their business network. Which may not be the best option, due to the market factors, that may influence the acceptance of the product in the market.

With these case it was possible to verify that sometimes firms aren't successful to enter into a market, due to a weak entry mode plan and fragile business network. Which does not mean that the product of the firm did not have demand in the market. So, this case helps to explain how the business network and the entry mode plan will influence the performance of the firm in a foreign market. Even though firms may not be successful in the first try entering in the market, they should not back down and keep trying with new strategies, like the firms in the case.

During the execution of this assignment I stood before some difficulties, such as selecting between the huge amount of information about entry modes, finding an interesting and relevant case in the KG International history, due of being a recent and small company. There was also limitations, like the lack of information about cases similar of the one presented in this study.

This study has scientific value, presenting a question that is in the actuality, explores also a real case that has the particularity of just being rarely explored until now. Something interesting in the future, would be explore scientifically more similar situations of the case, for SME and multinational firms.

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ATTACHMENTS

- Interview to Client X

Good Afternoon, first of all I would like to thank You for Your time and availability for being able to answer this questions:

1. When did You decided to go to Poland?
2. Why did You chose the Polish market, as Your target market?
3. Which reasons did make You go to Poland?
4. Did You had any relationship in the Polish market?
5. When did You start the process of internationalization?
6. Did You research before making this decision?
7. Did You establish a plan?
8. Which were the strategies?
9. Were You able to make any type of relationship in the market?
10. Why do You thing the relationship wasn't successful?
11. Now, what do You thing You did wrong during this process?
12. During the time You tried to enter the market did You every decide to change Your strategy?
13. In 2012, You begin a joint venture with another Portuguese company, was it propitious?
14. Why did You decide to partner with Client Y?
15. Which strategy did You propose to Client Y?
16. In 2013, You meet KG International CEO, which were the reason that made You hire them?
17. Which were the main differences, that You were able to see, between both process of entering into the market?
18. Why do You thing that this process with KG International was successful?
19. Why did You never give up on the Polish market?
20. Which are Your company next steps?

Once again I would like to thank You for Your time and answers.

- Interview to Client Y

Good Afternoon, first of all I would like to thank You for Your time and availability for being able to answer this questions:

1. In 2012, Client X proposed to You the creation of a joint venture, why did You accept?
2. Why did You agree to go to Poland with Client X, even though You knew they aren't successful there?
3. Did You research before making this accepting?
4. Which reasons did make You go to Poland?
5. Before You went to the target market did You make a strategic plan?
6. Did You had any relationship in the Polish market?
7. Did You establish a plan?
8. Which were the strategies?
9. Were You able to succeed with the strategy?
10. Now, what do You thing You did wrong during this process?
11. In 2013, You meet KG International CEO, which were the reason that made You hire them?
12. Which were the main difference between both processes of entering in the market?
13. Why do You thing this process with KG International was successful?
14. Why did You never give up on the Polish market?
15. Which are Your company next steps?

Once again I would like to thank You for Your time and answers.

- Interview to CEO of KG International

Good Morning, first of all I would like to thank You for Your time and availability for being able to answer this questions:

1. In 2013, you meet Client X and Y why did You propose them Your services?
2. Why did You accept to keep trying into enter the Polish market with Client X, even though they weren't successful?
3. Which were Your reasons to work with Client X and Y?
4. Why did You believe that Client X and Y would be successful in Poland?
5. Did You research before accepting this project?
6. Did You had any relationship in the Polish market, for this type of product?
7. Did You establish a plan?

8. Which were the strategies?
9. How was the process of entering into the market?
10. Were You able to succeed with the strategy?
11. Why do You thing this process was successful?
12. Now, why do You thing the Client X and Y did wrong during the first process?
13. Which do You thing was the biggest difficulty that he Client had in the first process?
14. For which reason do You think this second time the process was successful?
15. Now, would You do something different on this process?
16. Do You know the reason why the Clients never gave up on the market?
17. Do You know which are the next steps of the Clients in the target market?
18. Is KG International integrated in the Clients next steps in the Polish and other target markets?

Once again I would like to thank You for Your time and answers.